Umjindi Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Mayoral committee	
Executive Mayor	L.V. Mashaba
	P.V. Mkhatshwa
	N.E. Mkhabela
	J. Hlophe Mavi
Councillors	H.L. Shongwe
	A.M. Simelane
	P.L. Sambo
	A.S. Mthunywa
	M.C. Nkosi
	M.E. Nsimbini
	S.I. Gama
	P.C.W. Minnaar
	M.E. Jacobs
	T.R. Mayisa
	S. Mabuza
	P.M. Mnisi
	B.N. Mathebula
	H.M. Mkhonza (Deceased)
Grading of local authority	03 Medium Capacity
Accounting Officer	S.F. Mnisi Municipal Manager
Chief Finance Officer (CFO)	C vd Westhuizen (Acting)
Business address	Cnr GENERAAL AND DE VILLIERS STR BARBERTON 1300
Postal address	UMJINDI MUNICIPALITY P.O.BOX 33 BARBERTON 1300
Bankers	FIRST NATIONAL BANK
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page ___.

The annual financial statements set out on page 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011.

S.F. Mnisi
Accounting Officer

Statement of Financial Position

Figures in Rand	Notes	2011	2010
Assets			
Current Assets			
Inventories	10	3 102 609	2 716 570
Other receivables from non-exchange transactions	11	4 787 778	648 780
Consumer debtors (Other receivables from exchange transactions)	12	22 479 484	13 691 936
Cash and cash equivalents	13	10 707 280	7 435 070
		41 077 151	**24 492 356**
Non-Current Assets			
Investment property	4	119 035 000	119 035 000
Property, plant and equipment	5	537 958 183	482 235 356
Intangible assets	6	23 140	31 878
Investments in controlled entities	7	100	100
		657 016 423	**601 302 334**
Total Assets		**698 093 574**	**625 794 690**
Liabilities			
Current Liabilities			
Other financial liabilities	16	676 437	751 319
Finance lease obligation	17	307 625	274 942
Trade and other payables from exchange transactions	20	12 407 398	7 614 829
VAT payable	21	12 221 760	8 417 912
Consumer deposits	22	2 437 164	2 213 131
Unspent conditional grants	18	8 112 104	10 288 970
Provisions	19	4 079 434	3 927 730
Bank overdraft	13	11 571 514	10 570 102
		51 813 436	**44 058 935**
Non-Current Liabilities			
Other financial liabilities	16	5 004 358	5 677 612
Finance lease obligation	17	339 866	455 639
Retirement benefit obligation	9	10 452 445	3 449 158
Provisions	19	3 296 273	2 796 273
		19 092 942	**12 378 682**
Total Liabilities		**70 906 378**	**56 437 617**
Net Assets		**627 187 196**	**569 357 073**
Net Assets			
Accumulated surplus	15	627 187 196	569 357 073

Statement of Financial Performance

Figures in Rand	Notes	2011	2010
Revenue			
Property rates	25	15 838 059	15 121 271
Service charges	26	82 357 747	68 730 720
Rental of facilities and equipment		663 684	503 442
Interest received (trading)		3 075 259	2 516 410
Fines		227 959	101 386
Licences and permits		2 365 890	2 144 612
Government grants & subsidies	27	65 234 858	52 307 332
Other income	28	11 845 940	2 814 378
Interest received	33	634 335	659 325
Total Revenue		**182 243 731**	**144 898 876**
Expenditure			
Employee related costs	30	(48 530 192)	(43 942 271)
Remuneration of councillors	31	(4 042 704)	(3 648 442)
Depreciation and amortisation	34	(22 103 233)	(29 081 815)
Impairment loss stock write down		-	(100 245)
Finance costs	35	(2 755 186)	(884 064)
Debt impairment	32	-	(7 286 616)
Repairs and maintenance		(4 574 406)	(3 405 208)
Bulk purchases	37	(39 780 391)	(28 065 406)
Grants and subsidies paid	36	-	(14 285)
General expenses	29	(3 951 388)	(34 348 703)
Total Expenditure		**(125 737 500)**	**(150 777 055)**
Loss on disposal of assets and liabilities		(858 507)	-
Surplus (deficit) for the year		**55 647 724**	**(5 878 179)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	444 655 291	444 655 291
Prior year adjustments	129 005 415	129 005 415
Balance at 01 July 2009 as restated	**573 660 706**	**573 660 706**
Changes in net assets		
Undefined correction	1 247 868	1 247 868
Movement in internal insurance reserve	326 678	326 678
Net income (losses) recognised directly in net assets	1 574 546	1 574 546
Surplus for the year	(5 878 179)	(5 878 179)
Total recognised income and expenses for the year	(4 303 633)	(4 303 633)
Total changes	(4 303 633)	(4 303 633)
Balance at 01 July 2010 as restated	**569 357 072**	**569 357 072**
Changes in net assets		
Undefined correction	2 240 528	2 240 528
Movement in internal insurance reserve	(58 128)	(58 128)
Net income (losses) recognised directly in net assets	2 182 400	2 182 400
Surplus for the year	55 647 724	55 647 724
Debit notes	57 830 124	57 830 124
Total changes	57 830 124	57 830 124
Balance at 30 June 2011	**627 187 196**	**627 187 196**

Cash Flow Statement

Figures in Rand	Notes	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		119 481 380	78 080 132
Grants		65 234 858	57 361 385
Interest received from investments		634 335	659 324
		185 350 573	136 100 841
Payments			
Employee costs		(52 572 896)	(47 590 713)
Suppliers		(51 061 371)	(59 276 687)
		(103 634 267)	(106 867 400)
Net cash flows from operating activities	38	**81 716 306**	**29 233 441**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(78 726 425)	(22 865 714)
Proceeds from sale of property, plant and equipment	5	50 596	-
Purchase of other intangible assets	6	-	(18 300)
Proceeds from sale of long term receivables		-	22 113
Interest Income		634 335	659 325
Net cash flows from investing activities		**(78 041 494)**	**(22 202 576)**
Cash flows from financing activities			
Repayment of other financial liabilities		(748 136)	(673 900)
Finance lease payments		(2 075 328)	(117 772)
Transactions posted directly in surplus		2 182 398	1 574 546
Prior year adjustments		-	876 679
Finance costs		(762 948)	(852 322)
Net cash flows from financing activities		**(1 404 014)**	**807 231**
Net increase/(decrease) in cash and cash equivalents		**2 270 798**	**7 838 096**
Cash and cash equivalents at the beginning of the year		(3 135 032)	(10 973 128)
Cash and cash equivalents at the end of the year	13	**(864 234)**	**(3 135 032)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevent policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board, are summarised as follows:

Standard Title of Accounting standard:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associate
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 12 (AC 102) Income Taxes
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement
IPSAS 20 Related Party Disclosure
IPSAS 21 Impairment of Non-Cash Generating Assets
IFRIC 4 Determining whether an Arrangement contains a Lease
IFRIC14 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, as issued by the Accounting Standards Board.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

Redundant, damaged and slow moving inventories are identified and written down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for anywhere between 30% and 50% of the medical aid membership fee, and the Council for the remaining 50% to 70%. The amount varies from person to person. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement funds is immaterial and the costs thereof are charged to the Statement of Financial Performance as they fall due. The Municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to determine its present value.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.
Costs include costs incurred initially and costs incurred subsequently to add to, to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. Fair value is determined by using the last available general valuation roll or market related valuations.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the costs. The cost also includes the necessary costs of dismantling and removing the asset and restoring the asset on the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets to the estimated residual value.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Undefined
Buildings	30
Motor vehicles	7
Office equipment	
• Computer hardware	5
• Office machines	7
• Air conditioners	15
Infrastructure	
• Roads and Paving	40 - 50
• Electricity	20 - 30
• Water	20 - 55
• Sewerage	60
Community	
• Buildings	30
• Recreational Facilities	30
• Parks and gardens	20
Other property, plant and equipment	5 -15
Other equipment	5 - 15
Landfill site	Undefined

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate but if the change is due to the incorrect useful life being utilised, it is accounted for as a prior year error .

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of Property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Stands which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

1.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Cash and cash equivalents
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in the Statement of Financial Performance.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

1.6 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as income on another systematic basis. The income from operating leases is calculated at a fixed percentage of the employees' income per month.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.9 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.10 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

Value in use of a non-cash generating assets is the present value of the non-cash generating asset’s remaining service potential.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

1.12 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.14 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceed 9 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures presented are rounded off to the nearest Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Internal reserves

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

Accounting Policies

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board and it's effective date has been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board and it's effective date has been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

This Standard has been approved by the Board and it's effective date has been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board and it's effective date has been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board and it's effective date has been determined by the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

4. Investment property

	2011			2010		
	Fair value	**Impairment**	**Carrying value**	**Fair value**	**Impairment**	**Carrying value**
Investment property	119 035 000	-	119 035 000	119 035 000	-	119 035 000

Reconciliation of investment property - 2011

	Residential buildings	**Total**
Investment property	119 035 000	119 035 000

Reconciliation of investment property - 2010

	Residential buildings	**Total**
Investment property	119 035 000	119 035 000

The fair value of investment property was based on the available general valuation roll.

Revenue to the value of R119 521 (2010: R87 403) was earned from the investment property.

5. Property, plant and equipment

	2011			2010		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	23 489 059	-	23 489 059	23 489 059	-	23 489 059
Buildings	27 538 377	(13 769 189)	13 769 188	27 538 377	(12 812 436)	14 725 941
Infrastructure	776 963 523	(352 877 352)	424 086 171	708 653 999	(337 137 328)	371 516 671
Community	30 114 121	(14 543 353)	15 570 768	30 114 121	(13 539 550)	16 574 571
Other property, plant and equipment	31 771 823	(16 148 223)	15 623 600	35 089 531	(15 645 331)	19 444 200
Capital work in progress	42 093 616	-	42 093 616	33 159 133	-	33 159 133
Heritage	529 508	-	529 508	529 508	-	529 508
Landfill site	2 796 273	-	2 796 273	2 796 273	-	2 796 273
Total	**935 296 300**	**(397 338 117)**	**537 958 183**	**861 370 001**	**(379 134 645)**	**482 235 356**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	23 489 059	-	-	-	-	23 489 059
Buildings	14 725 941	-	-	-	(956 753)	13 769 188
Infrastructure	371 516 671	40 876 082	-	27 433 443	(15 740 025)	424 086 171
Community	16 574 571	-	-	-	(1 003 803)	15 570 768
Other property, plant and equipment	19 444 200	1 482 417	(909 103)	-	(4 393 914)	15 623 600
Capital work in progress	33 159 133	36 367 926	-	(27 433 443)	-	42 093 616
Heritage	529 508	-	-	-	-	529 508
Landfill site	2 796 273	-	-	-	-	2 796 273
	482 235 356	**78 726 425**	**(909 103)**	**-**	**(22 094 495)**	**537 958 183**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Prior year adjustment	Depreciation	Total
Land	23 489 059	-	-	-	23 489 059
Buildings	20 233 442	-	(4 590 396)	(917 105)	14 725 941
Infrastructure	270 774 957	2 320 083	121 151 795	(22 730 164)	371 516 671
Community	14 971 737	1 193 126	1 400 334	(990 626)	16 574 571
Other property, plant and equipment	11 615 827	1 224 569	11 504 496	(4 900 692)	19 444 200
Capital work in progress	16 777 470	16 381 663	-	-	33 159 133
Heritage	529 508	-	-	-	529 508
Landfill Site	1 050 000	1 746 273	-	-	2 796 273
	359 442 000	**22 865 714**	**129 466 229**	**(29 538 587)**	**482 235 356**

5. Property, plant and equipment (continued)

Other information

The Municipality complies fully with GRAP 17 at 30 June 2011. During June 2011 all items of PPE were physically verified and assessed for physical impairment and relevance of calculated remaining useful life spans and componentisation. It was identified that the useful life used in depreciating the assets were not in line with National Treasury guidelines. Where the estimation of useful life spans has been deemed inaccurate, adjustments have been made retrospectively, and the change in estimate was treated as a correction of a prior year error in line with GRAP 3. Certain Infrastructure assets were further componentised. The asset register was obtained and all assets depreciation was recalculated using the correct useful life. The amounts disclosed in this note are the restated values. Refer to note 42 for the effect of the error in the current year financial statement.

The lifespans of certain items of PPE within the various categories have been affected by increasing the RUL as follow

Assets	**Between**
- Emergency Equipment	5 to 10 years
- Furniture and Fittings	1 to 7 years
- Office Equipment	5 to 15 years
- Vehicles	1 to 7 years
- Plant and Equipment	4 to 15 years
- Security Equipment	20 to 25 years
- Buildings	20 to 30 years
- Community Assets	20 to 30 years
- Heritage Assets	0 to 0 years
- Infrastructure Electricity	20 to 30 years
- Infrastructure Roads	40 to 50 years
- Infrastructure Water	20 to 55 years
- Infrastructure Sewer	50 to 60 years
- Land	Undefined
- Solid Waste	Undefined

Refer to Appendix B for more detail on property, plant and equipment.

6. Intangible assets

	2011			2010		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	43 690	(20 550)	23 140	43 690	(11 812)	31 878

Reconciliation of intangible assets - 2011

	Opening balance	**Amortisation**	**Total**
Computer software	31 878	(8 738)	23 140

Reconciliation of intangible assets - 2010

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	17 618	18 300	(4 040)	31 878

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

7. Investments in controlled entities

Held to maturity investments

Name of company	Held by	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Umjindi Local Economic Development Agency (Pty) Ltd	Umjindi Local Municipality	100.00 %	100.00 %	100	100

The investment is held at cost.

The carrying amounts of controlled entities are shown net of impairment losses.

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Total
Consumer debtors (Other receivables from exchange transactions)	22 479 484	22 479 484
Other receivables from non-exchange transactions	4 787 778	4 787 778
Cash and cash equivalents	10 707 280	10 707 280
	37 974 542	**37 974 542**

2010

	Loans and receivables	Total
Consumer debtors (Other receivables from exchange transactions)	13 691 936	13 691 936
Other receivables from non-exchange transactions	648 780	648 780
Cash and cash equivalents	7 435 070	7 435 070
	21 775 786	**21 775 786**

9. Retirement benefit obligation

Defined benefit plan

Post retirement medical aid plan

The municipality operates an accredited medical aid scheme. The post retirement medical assistance plan, to which 145 members (2010: 154 members) belong, consists of the Key Health Medical Scheme, Bonita's Medical Scheme, Hosmed Medical Scheme and LA Health Medical Scheme.

These funds are subject to actuarial valuations. The last valuation was performed by independent actuaries, Deloitte & Touche, on 30 June 2011.

Umjindi Municipality subsidises between 70%, 60% and 50% of medical aid contributions.

Carrying value

	2011	2010
Present value of the defined benefit obligation-wholly unfunded	10 452 445	3 449 158

Figures in Rand	2011	2010

9. Retirement benefit obligation (continued)

Defined contribution plan

All Councillors and employees belong to defined contribution retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. These valuations indicate that the funds are in a sound position.

The municipality is under no obligation to cover any unfunded benefits.

10. Inventories

Water	40 461	486 468
Stores, materials and fuels	3 062 148	2 230 102
	3 102 609	**2 716 570**

During the financial year an amount of R Nil (2010: R100 245) was written off as obselete and damaged stock.

Inventory balances are held at cost.

11. Other receivables from non-exchange transactions

Overspent Government subsidies	543 012	543 012
Other debtors	580 039	1 643
Theft of cash by employee	-	25 427
New Service Connections	71 383	71 383
Sundry debtors	3 586 029	-
Underbanked cash	7 315	7 315
	4 787 778	**648 780**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security.

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the financial assets that are fully performing have been re-negotiated in the last year.

Fair value of trade and other receivables

Other receivables from non-exchange transactions	4 787 778	648 780

The fair value was determined by accepting the face value of the outstanding balances.

Trade and other receivables past due but not impaired

Sufficient information was not available to age trade and other receivables from non-exchange transactions for impairment.

Figures in Rand	2011	2010

12. Consumer debtors (Other receivables from exchange transactions)

Gross balances		
Rates	7 137 126	6 532 146
Electricity	8 388 414	4 663 543
Water	7 879 005	6 859 861
Sewerage	4 635 995	3 000 334
Refuse	5 989 732	3 827 396
Housing rental	-	3 161
Sundry	16 453 729	16 810 012
	50 484 001	**41 696 453**
Less: Provision for debt impairment		
Rates	(4 188 175)	(4 188 175)
Electricity	(1 616 248)	(1 616 248)
Water	(3 973 234)	(3 973 234)
Sewerage	(2 124 978)	(2 124 978)
Refuse	(2 786 040)	(2 786 040)
Housing rental	(877)	-
Sundry	(13 314 965)	(13 315 842)
	(28 004 517)	**(28 004 517)**
Net balance		
Rates	2 948 951	2 343 971
Electricity	6 772 166	3 047 295
Water	3 905 771	2 886 627
Sewerage	2 511 017	875 356
Refuse	3 203 692	1 041 356
Housing rental	(877)	3 161
Sundry	3 138 764	3 494 170
	22 479 484	**13 691 936**
Rates		
Current (0 -30 days)	(15 559)	1 119 587
31 - 60 days	1 703 775	435 878
61 - 90 days	591 810	311 513
91 - 120 days	316 103	138 589
121 - 365 days	248 729	338 404
> 365 days	104 093	-
	2 948 951	**2 343 971**
Electricity		
Current (0 -30 days)	(69 708)	1 765 459
31 - 60 days	1 569 388	584 171
61 - 90 days	3 151 108	337 214
91 - 120 days	650 857	144 032
121 - 365 days	645 908	216 419
> 365 days	824 613	-
	6 772 166	**3 047 295**

Figures in Rand	2011	2010

12. Consumer debtors (Other receivables from exchange transactions) (continued)

Water		
Current (0 -30 days)	(32 698)	1 045 008
31 - 60 days	1 334 073	866 923
61 - 90 days	1 675 155	537 584
91 - 120 days	568 785	130 233
121 - 365 days	303 027	306 879
> 365 days	57 429	-
	3 905 771	**2 886 627**

Sewerage		
Current (0 -30 days)	(695)	322 171
31 - 60 days	424 611	179 953
61 - 90 days	790 808	142 602
91 - 120 days	187 016	64 212
121 - 365 days	161 611	166 418
> 365 days	947 666	-
	2 511 017	**875 356**

Refuse		
Current (0 -30 days)	(2 396)	398 032
31 - 60 days	553 811	201 796
61 - 90 days	1 034 726	158 960
91 - 120 days	250 670	75 297
121 - 365 days	215 630	207 271
> 365 days	1 151 251	-
	3 203 692	**1 041 356**

Housing rental		
Current (0 -30 days)	-	878
31 - 60 days	-	2 243
121 - 365 days	-	40
> 365 days	(877)	-
	(877)	**3 161**

Sundry		
Current (0 -30 days)	(997 919)	269 584
31 - 60 days	1 368 128	603 469
61 - 90 days	1 016 018	1 514 113
91 - 120 days	362 476	257 720
121 - 365 days	276 587	849 284
> 365 days	1 113 474	-
	3 138 764	**3 494 170**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(28 004 517)	(20 768 658)
Contributions to provision	-	(7 286 616)
Debt impairment written off against provision	-	50 757
	(28 004 517)	**(28 004 517)**

Consumer debtors pledged as security

No consumer debtors of the municipality were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Consumer debtors (Other receivables from exchange transactions) (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Counterparties without external credit rating		
Consumer debtors	50 484 001	41 696 453

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

Consumer debtors	50 484 001	41 696 453

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R23 598 458 (2010: R8 771 217) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	6 953 785	2 874 433
2 months past due	8 259 626	3 001 986
3 months past due	8 385 047	2 894 798

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R Nil (2010: R7 235 859) were impaired and written off.

The amount of the provision was R 28 004 517 as of 30 June 2011 (2010: R 28 004 517).

Reconciliation of provision for impairment of consumer debtors

Opening balance	28 004 517	20 768 658
Contributions to provisions	-	7 286 616
Debt impairment written off against the provision	-	(50 757)
	28 004 517	**28 004 517**

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance in the prior year. No amount of impairment has been charged in the 2011 financial year.

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumer debtors mentioned above. The municipality does not hold any collateral as security.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13 755	12 055
Bank balances	10 221 028	-
Short-term deposits	472 497	7 423 015
Bank overdraft	(11 571 514)	(10 570 102)
	(864 234)	**(3 135 032)**

Current assets	10 707 280	7 435 070
Current liabilities	(11 571 514)	(10 570 102)
	(864 234)	**(3 135 032)**

For the purpose of the cash flow statement, cash and cash equivalents comprise of the following balances:

Reconciliation of bank balances:

Bank balances - favourable	10 221 028	7 423 015
Bank overdraft	(11 571 514)	(10 570 102)
	(1 350 486)	**(3 147 087)**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Bank	10 221 028	7 423 015
Short term deposits	472 497	-
	10 693 525	**7 423 015**

Cash and cash equivalents pledged as collateral

No cash and cash equivalents of the municipality were pledged as collateral.

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2011	30 June 2010	30 June 2009	Cash book balances 30 June 2011	30 June 2010	30 June 2009
First National Bank - Barberton Branch (270152) Account Number (51600026441)	753 658	742 031	-	(11 571 514)	(10 570 102)	-
Absa BANK - Call Account - Nelspruit Branch 407 085 2360	12 765	12 516	-	12 765	12 516	-
First National Bank - Business Money Market Account - Account Number (62271408926)	27 910	100 000	-	337 910	100 000	-
First National Bank - Barberton Branch (270152)- Account Number (62199275647)	705 486	7 310 498	-	445 485	7 310 498	-
First National Bank - Barberton Branch (270152) Account Number (62305845995)	216 611	-	-	216 611	-	-
First National Bank - Barberton Branch (270152) Account Number (62305846612)	8 670 675	-	-	8 620 677	-	-
First National Bank - Barberton Branch (270152) Account Number (62305846935)	10 026	-	-	10 026	-	-
First National Bank - Barberton Branch (270152) Account Number (62305847222)	577 554	-	-	577 554	-	-
Total	**10 974 685**	**8 165 045**	**-**	**(1 350 486)**	**(3 147 088)**	**-**

14. Insurance reserve

	2011	2010
Opening Balance	2 768 675	2 441 997
Net movement in reserve	(58 128)	326 678
Transferred to Accumulated Surplus	(2 710 547)	(2 768 675)
	-	-

15. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Insurance reserve	Total
Opening balance	2 768 675	2 768 675
Excess on insurance claims	(58 128)	(58 128)
	2 710 547	**2 710 547**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Insurance reserve	**Total**
Opening balance	2 441 997	2 441 997
Excess payable on insurance claims	141 490	141 490
Lion of Africa and Pezulu payments	185 188	185 188
	2 768 675	**2 768 675**

16. Other financial liabilities

	2011	2010
Held at amortised cost		
Current portion of DBSA loans	676 437	751 319
These loans bear interest at various rates and are repayable in the next 12 months.		
DBSA Vehicle Fleet Management	81 105	77 922
This loan bears interest at 8,94% and is repayable on 30 September 2011.		
DBSA Loan 1996/7	1 210 087	1 329 743
This loan bears interest at 14,5% and is repayable on 31 March 2018.		
DBSA Infratructure 13279/1	1 000 338	1 076 842
This loan bears interest at 15% and is repayable on 31 March 2019.		
DBSA Infrastructure 13356 B	697 220	741 697
This loan bears interest at 16,5% and is repayable on 30 September 2019.		
DBSA Loan Elec Ext 13	913 559	1 159 030
This loan bears interest at 10,81% and is repayable on 31 March 2015.		
DBSA Elec Loan Rural Electrification	1 102 049	1 292 378
This loan bears interest at 9,08% and is repayable on 30 September 2016.		
	5 680 795	**6 428 931**

The fair values of the financial liabilities were determined by accepting the face values of outstanding capital.

	2011	2010
Non-current liabilities		
At amortised cost	5 004 358	5 677 612
Current liabilities		
At amortised cost	676 437	751 319
	5 680 795	**6 428 931**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

17. Finance lease obligation

Minimum lease payments due		
- within one year	403 445	348 784
- in second to fifth year inclusive	331 455	523 502
	734 900	872 286
less: future finance charges	(87 409)	(141 705)
Present value of minimum lease payments	**647 491**	**730 581**

Present value of minimum lease payments due		
- within one year	307 625	274 942
- in second to fifth year inclusive	339 866	455 639
	647 491	**730 581**

Current liabilities	307 625	274 942
Non-current liabilities	339 866	455 639
	647 491	**730 581**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2010: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

18. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 637 600	5 669 769
Finance Management Grant	-	422 406
Disaster Management Grant	-	4 181 514
Library Grant	5 933	15 281
Municipal Systems Improvement Grant	347 418	-
Expanded Public Works Incentive Grant	121 153	-
	8 112 104	**10 288 970**

Movement during the year

Balance at the beginning of the year	10 288 970	5 234 917
Additions during the year	63 057 992	28 215 000
Income recognition during the year	(65 234 858)	(23 160 947)
	8 112 104	**10 288 970**

See note 27 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

19. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	2 796 273	500 000	-	3 296 273
Provision for perfomance bonuses	1 047 553	-	(343 125)	704 428
Staff leave	2 880 177	494 829	-	3 375 006
	6 724 003	**994 829**	**(343 125)**	**7 375 707**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Landfill rehabilitation	1 050 000	1 746 273	2 796 273
Provision for performance Bonus	489 066	558 487	1 047 553
Staff leave	2 671 612	208 565	2 880 177
	4 210 678	**2 513 325**	**6 724 003**

Current liabilities	4 079 434	3 927 730
Non-current liabilities	3 296 273	2 796 273
	7 375 707	**6 724 003**

Due to the change in the accounting system from Finstel to Sebata certain account balances were reclassified due to the account allocations in the new system. The staff leave pay provision was previously classified under Trade and other payables from exchange transactions. Refer note 21.

The landfill rehibilitation provision represents management's best estimate of the municipality's liability. It relates to the present value of the costs involved to rehabilitate the land and move the landfill to a new site in 10 years time.

Performance bonuses accrue to employees, subject to certain conditions. The provision represents management's best estimate of the amount due to staff at the reporting date.

Staff leave relates to leave pay to staff at the reporting date.

20. Trade and other payables from exchange transactions

Trade payables	5 986 588	134 556
Accrued Trade payables	172 449	189 718
Sundry deposits	3 039 904	-
Retentions	1 216 536	3 933 416
Other creditors	16 572	2 675
Sundry Creditors	21 198	-
Unidentified bank deposits	1 946 979	3 354 464
Salary control account	7 172	-
	12 407 398	**7 614 829**

Due to the change in the accounting system from Finstel to Sebata certain account balances were reclassified due to the account allocations in the new system. Accrued leave pay is now classified as Provisions and is included in note 19 in the financial statements.

Figures in Rand	2011	2010

21. VAT payable

VAT payable	12 221 760	8 417 912

VAT is payable on the receipt basis. Only once payment has been received is VAT paid to SARS.

22. Consumer deposits

Electricity & Water	2 437 164	2 213 131

No interest is paid on consumer deposits.

23. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	5 680 795	5 680 795
Trade and other payables from exchange transactions	12 407 401	12 407 401
Finance lease obligation	647 491	647 491
Bank overdraft	11 571 514	11 571 514
VAT payable	12 221 760	12 221 760
Consumer deposits	2 437 164	2 437 164
	44 966 125	**44 966 125**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	6 428 931	6 428 931
Trade and other payables from exchange transactions	7 614 830	7 614 830
Finance lease obligation	730 581	730 581
Bank overdraft	10 570 102	10 570 102
VAT payable	8 417 912	8 417 912
Consumer deposits	2 213 131	2 213 131
	35 975 487	**35 975 487**

24. Revenue

Property rates	15 838 059	15 121 271
Service charges	82 357 747	68 730 720
Rental of facilities & equipment	663 684	503 442
Interest received – trading	3 075 259	2 516 410
Fines	227 959	101 386
Licences and permits	2 365 890	2 144 612
Government grants & subsidies	65 234 858	52 307 332
	169 763 456	**141 425 173**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

24. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	82 357 747	68 730 720
Rental of facilities & equipment	663 684	503 442
Interest received – trading	3 075 259	2 516 410
Licences and permits	2 365 890	2 144 612
	88 462 580	**73 895 184**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15 838 059	15 121 271
Fines	227 959	101 386
Transfer revenue		
Government grants and subsidies	65 234 858	52 307 332
	81 300 876	**67 529 989**

25. Property rates

Rates received

Residential	9 188 117	7 659 022
Commercial	4 009 758	4 233 632
State	2 581 979	3 228 617
Other	58 205	-
	15 838 059	**15 121 271**

26. Service charges

Sale of electricity	54 692 005	42 375 146
Sale of water	16 086 627	14 772 183
Sewerage and sanitation charges	5 421 747	4 975 666
Refuse removal	6 157 368	6 607 725
	82 357 747	**68 730 720**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies

Library Grant	9 348	134 719
Department of Mineral and Energy (DME)	12 681 514	4 778 486
Equitable Share (IGG)	36 583 922	29 392 669
Finance Management Grant (FMG)	1 422 406	983 757
Municipal Infrastructure Grant (MIG)	13 662 169	14 271 309
Municipal Systems Improvement Grant (MSIG)	402 582	803 825
World Heritage Grant	-	1 942 567
Expanded Public Works Incentive Grant (EPWP)	472 917	-
	65 234 858	**52 307 332**

MIG Grant

Balance unspent at beginning of year	5 669 769	2 321 078
Current-year receipts	15 630 000	17 620 000
Conditions met - transferred to revenue	(13 662 169)	(14 271 309)
Unspent at the end of the year	**7 637 600**	**5 669 769**

This grant was used to construct water & sanitation infrastructure, replacement of AC waterpipes, stormwater drainage and sportsfields.

No funds have been withheld.

PHP Housing

Balance unspent at beginning of year	-	789 296
Paid back to National Government	-	(789 296)
Unspent at the end of the year	**-**	**-**

This grant funding was not received under the Housing Act 107 of 1997 but Umjindi Municipality was only the account administrator for the Department of Co-Operative Governance and Traditional Affairs (CoGTA).

The unspent unspent funds from 2009 was repaid to the relevant department on their request during the 2010 financial year.

World Heritage Grant

Balance unspent at beginning of year	-	1 785 695
Conditions met - transferred to revenue	-	(1 942 567)
Overspent grants (sundry debtor)	-	156 872
Unspent at the end of the year	**-**	**-**

This grant was used according to the conditions as set in the service level agreement.

No funds have been withheld.

Finance Management Grant

Balance unspent at beginning of year	422 406	338 848
Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(1 422 406)	(983 757)
Overspent DM Grant (sundry debtor)	-	317 315
Unspent at the end of the year	**-**	**422 406**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

Disaster Management Grant: This grant was used to construct Umjindi Municipality's disaster management centre.

No funds were withheld.

MFMG Grant: The grant was used according to the budget for 2009/ 2010 financial year.

No funds were withheld

DME Grant

Balance unspent at beginning of year	4 181 514	-
Current-year receipts	8 500 000	8 960 000
Conditions met - transferred to revenue	(12 681 514)	(4 778 486)
Unspent at the end of the year	**-**	**4 181 514**

This grant was used to construct electricity infrastructures and supply electricity to various farm worker houses as per business plans submitted.

No funds were withheld.

Library Grant

Balance unspent at beginning of year	15 281	-
Current-year receipts	-	150 000
Conditions met - transferred to revenue	(9 348)	(134 719)
Unspent at the end of the year	**5 933**	**15 281**

This grant was used to upgrade library facilities to improve services and address the needs of the community.

No funds were withheld.

MSIG Grant

Current-year receipts	750 000	735 000
Conditions met - transferred to revenue	(402 582)	(803 825)
Overspent grant (sundry debtor)	-	68 825
Unspent at the end of the year	**347 418**	**-**

This grant was used to build in house capacity to perform their functions and stabilise institutional and governance systems.

No funds were withheld.

Equitable Share Grant

Current-year receipts	36 583 922	29 392 669
Conditions met - transferred to revenue	(36 583 922)	(29 392 669)
Unspent at the end of the year	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

In terms of the Constitution, this grant is used to subsidise the provision of basic services:

All residential consumers water (6KL) and electricity (50Kwh)

All registered (approved) indigent community members are also being subsidised on solid waste removal and sanitation. All registered (approved) indigent community members receive 100% subsidy on Property Tax.

The equitable share (portion as gazetted) is also being used to subsidise the remuneration of councillors. No funds were withheld.

Expanded Public Works Incentive Grant

Current-year receipts	594 070	-
Conditions met - transferred to revenue	(472 917)	-
Unspent at the end of the year	**121 153**	**-**

This grant relates to an opportunity job creation programme by the Department of Public Works.

28. Other income

Other income	11 845 940	2 814 378

There was a substantial increase in the other income due to the increase in the sale of stands compared to the prior year.

Other income is made up as follows:

Sale of stands	7 789 174	929 349
Connections - water, sewerage and electricity	711 145	580 995
Sundry income	3 345 621	1 304 034
	11 845 940	**2 814 378**

29. General expenses

Insurance	1 061 947	654 013
Magazines, books and periodicals	17 686	14 836
Printing and stationery	851 550	770 481
Telephone and fax	1 141 394	1 425 751
Travel - local	2 499 561	2 019 277
Assets expensed	1 740 041	1
Departmental charges	-	(8)
General expense	(3 552 222)	27 738 933
Grant expenditure	191 431	1 725 419
	3 951 388	**34 348 703**

30. Employee related costs

	2011	2010
Basic	27 951 677	25 051 873
Performance Bonus (Section 57 Employees)	-	103 867
Medical aid - company contributions	2 167 957	1 856 309
UIF	309 640	276 869
Leave pay provision charge	2 001 086	1 941 581
Travel, motor car, accommodation, subsistence and other allowances	1 989 485	1 946 876
Overtime payments	3 514 647	2 478 738
Acting allowances	396 623	373 747
Housing benefits and allowances	1 281 609	848 594
Pension Contributions	6 117 905	5 468 692
	45 730 629	**40 347 146**

Remuneration of municipal manager

	2011	2010
Annual Remuneration	967 075	891 478
Performance Bonuses	135 391	135 521
	1 102 466	**1 026 999**

Remuneration of chief finance officer

	2011	2010
Annual Remuneration	496 688	784 905
Performance Bonuses	-	111 365
	496 688	**896 270**

Remuneration of executive directors

	2011	2010
Annual Remuneration	992 675	1 464 122
Performance Bonuses	207 734	207 734
	1 200 409	**1 671 856**

31. Remuneration of councillors

	2011	2010
Executive Mayor	566 187	556 550
Mayoral Committee Members	852 121	552 524
Speaker	452 994	445 547
Councillors	1 813 807	1 756 269
Councillors’ pension contribution	268 913	258 090
Councillors' medical aid contribution	88 682	79 462
	4 042 704	**3 648 442**

32. Debt impairment

	2011	2010
Contributions to debt impairment provision	-	7 286 616

33. Interest received

	2011	2010
Bank	634 335	656 461
Other institutions	-	2 864
	634 335	**659 325**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

34. Depreciation and amortisation

Property, plant and equipment	22 094 495	29 081 815
Intangible assets	8 738	-
	22 103 233	**29 081 815**

35. Finance costs

Trade and other payables	3 855	-
Finance leases	1 992 238	31 742
Current borrowings	759 093	852 322
	2 755 186	**884 064**

36. Grants and subsidies paid

Grants Paid		
BOB's Old Age Home	-	14 285

The municipality paid a grant to the Umjindi Development Agency.

37. Bulk purchases

Electricity	39 780 391	28 065 406

38. Cash generated from operations

Surplus (deficit)	55 647 724	(5 878 179)
Adjustments for:		
Depreciation and amortisation	22 103 233	29 081 815
Gain on sale of assets and liabilities	858 507	-
Finance costs - Finance leases	1 992 238	31 742
Interest income	(634 335)	(659 325)
Finance costs	762 948	852 322
Impairment stock write down	-	100 245
Debt impairment	-	7 286 616
Movements in retirement benefit assets and liabilities	7 003 287	291 595
Movements in provisions	651 704	2 513 325
Movement in lease liabilities	-	(152 222)
Changes in working capital:		
Inventories	(386 039)	(425 562)
Other receivables from non-exchange transactions	(4 138 998)	(557 332)
Consumer debtors	(8 787 548)	(12 635 431)
Trade and other payables from exchange transactions	4 792 570	3 669 500
VAT	3 803 848	447 829
Unspent conditional grants	(2 176 866)	5 054 053
Consumer deposits	224 033	212 450
	81 716 306	**29 233 441**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

39. Capital Commitments

Commitments in respect of capital expenditure

Approved and contracted for:		
• Infrastructure	19 316 619	9 330 369
• Community	-	330 521
• Other	-	753 777
	19 316 619	**10 414 667**
The expenditure will be financed from:		
• Accumulated surplus	2 427 502	1 084 298
• Government grants	16 889 117	9 330 369
	19 316 619	**10 414 667**

40. Contingencies

A dispute with a farmer's union is in process which seeks compensation for a sewerage pipeline installed over their property. Land was originally offered as compensation which was declined. It was indicated that a financial compensation would be considered but it was declined. They have indicated that they would accept the vacant land as previously offered. The estimated liability to the municipality amounted to R150 000. No progress has been made since the last financial period.

A claim from Mandla Mlotjwa Nkosi to the value of R115 800 was filed against the municipality. The municipality was to instal a vending machine to sell pre-paid electricity within the Chief's land. The municipality failed to instal the machine as Nkosi wanted these vending machines to be installed in his house. Nkosi is seeking compensation for loss of income and the cost of building a structure to house the machine. Nkosi has indicated that the municipality has breached contract since they failed to instal the machine.

A claim from Mfundiseni Myeni to the value of R100 000 was filed against the municipality. The Municipal Manager accused Myeni of cable theft which he was tried and found "Not guilty". Myeni is seeking compensation for damages suffered and defamation of character.

41. Related parties

Relationships
The Umjindi Municipal Development Agency (UMDA) was incorporated on 30 October 2008. The Umjindi Local Municipality Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2009.

Controlling entity	Umjindi Local Municipality
Authorised shares	1 000 @ R1
Issued shares	100 @ R1

Umjindi local municipality holds 100 % of issued shares.

Related party transactions

UMDA		
Grants paid to UMDA (Refer note 34)	-	14 285
Compensation to accounting officer and other key management		
Short-term employee benefits	-	103 867

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

42. Prior period errors

Correction of 2010 depreciation expense as previously disclosed:

In the current year the useful life and the condition of the assets were assessed and it was identified that the useful life used was not in line with National Treasury guide lines. This was considered an error in the assessment of useful life of assets. Refer to note 5 on Property, Plant and Equipment. The prior year accumulated depreciation and depreciation for all the affected classes of assets has been rectified and adjusted as follows:

The effect of these adjustments on the statement of changes in net assets has been taken into account.
Adjustments have resulted in an increase in the prior year reported profit by R689 051

	2011	2010
Landfill site		
Decrease in depreciation	-	(139 814)
Decrease in accumulated depreciation	-	139 814
	-	-
Leased assets (Other Office equipment)		
Decrease in depreciation	-	(18 424)
Decrease in accumulated depreciation	-	18 424
	-	-
Other property plant and equipment		
Decrease in depreciation	-	(530 813)
Decrease in accumulated depreciation	-	530 813
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

42. Prior period errors (continued)

Correction of 2010 opening accumulated depreciation as previously disclosed:

The effect of these adjustments on the statement of changes in net assets has been taken into account.
Adjustments have resulted in an increase in the opening accumulated surplus in the 2010 comparative year reported of R129 005 445.

	2011	2010
Buildings		
Increase in accumulated surplus	-	4 590 356
Increase in accumulated depreciation	-	(4 590 356)
	-	-
Infrastructure		
Decrease in accumulated surplus	-	(121 151 795)
Decrease in accumulated depreciation	-	121 151 795
	-	-
Community assets		
Decrease in accumulated surplus	-	(1 400 334)
Decrease in accumulated depreciation	-	1 400 334
	-	-
Other Assets		
Decrease in accumulated surplus	-	(11 043 682)
Decrease in accumulated depreciation	-	11 043 682
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

42. Prior period errors (continued)
Correction of 2010 Leased assets and liabilities as previously disclosed:

For the year ending 30 June 2010 it was noted that certain finance leases were incorrectly treated as operating leases.
This indicates an error in the application of GRAP 13. The assets and liabilities relating to the finance lease have been adjusted for in the current year.
This has resulted in the following change in prior year comparatives on the statement of financial position and performance respectively.

Statement of financial position

	2011	2010
Leased assets		
Increase in cost of asset	-	751 862
Increase in accumulated depreciation	-	(80 193)
	-	**671 669**

	2011	2010
Finance Lease obligation		
Long term portion	-	(462 747)
Current Portion	-	(228 204)
	-	**(690 951)**

Correction of 2010 expenses as previously disclosed:

Statement of financial performance

	2011	2010
Increase in depreciation	-	80 193
Decrease in rental expenses	-	(92 653)
Increase in interest expense	-	31 742
Net effect on assets	**-**	**19 282**

Notes to the Annual Financial Statements

43. Risk management

Interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2011	2010
Consumer debtors	22 479 484	13 691 936
Other receivables from non-exchange transactions	4 787 778	648 780
Cash and cash equivalents	(864 233)	(3 135 032)

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

45. Events after the reporting date

There were no events after balance sheet date that were considered adjustable.

46. Fruitless and wasteful expenditure

	2011	2010
Interest Paid to Creditors	3 855	38 843

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

	2011	2010
Membership fees payable	263 340	253 652
Amount paid - current year	(263 340)	(253 652)
	-	-

MFMA, Section 125 (1)(b)

Audit fees

	2011	2010
Opening balance	1 190 413	868 901
Current year expense	1 107 335	321 512
Amount paid	(2 297 748)	-
	-	**1 190 413**

Figures in Rand	2011	2010

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

MFMA, Section 123 (1)(c)

PAYE and UIF

Current year payroll deduction : PAYE	6 062 328	4 755 904
Current year payroll deduction : UIF	311 430	276 869
Amount paid - current year : PAYE	(6 062 328)	(4 755 904)
Amount paid - current year : UIF	(311 430)	(276 869)
	-	-

MFMA, Section 125 (1)(c)

Pension and Medical Aid Deductions

Current year payroll deduction : Pension	5 722 003	1 856 309
Current year payroll deduction : Medical Aid	2 167 957	-
Amount paid - current year : Pension	(5 722 003)	(1 856 309)
Amount paid - current year : Medical Aid	(2 167 957)	-
	-	-

VAT

VAT payable	12 221 760	8 417 912

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' and officials arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor E.N. Cecelo	-	6 294	6 294
Z.R Thwala	1 674	662	2 336
S.P Ndlazi	986	3 328	4 314
R.F Baloyi	612	3 086	3 698
M.S Nkabinde	6 147	24 399	30 546
D.M Phiri	1 615	14 770	16 385
I.T Zulu	1 007	685	1 692
F.A Manana	3 594	3 557	7 151
T.T Fonete	1 141	2 737	3 878
J.S Nkosi	1 219	8 278	9 497
	17 995	**67 796**	**85 791**

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor E.N. Cecelo	2 146	4 489	6 635
Councillor P.V Mkhatshwa	336	244	580
Councillor M.J Magagula	142	110	252
Councillor M.E Jabocs	1 358	-	1 358
Councillor G Sibiya	411	-	411
Concillor M.P Magagula	477	-	477
Concillor S.H Zunguze	426	-	426
Councillor T.R Manyisa	707	-	707
Councillor V.R Lukhele	5 539	-	5 539
Councillor S.M Zulu	799	-	799
	12 341	**4 843**	**17 184**

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reason for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The deviation details are reflected on Appendix G.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

49. Disclosure on arrears by Government

Department of Education		
Arrear	133 158	-

Department of Public Works		
Arrear	2 039 321	-

Appendix A
June 2011

Schedule of external loans as at 30 June 2010

	Interest rate	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans								
DBSA (11037)	14.50%	31-Mar-18	11 434 311	-	104 568	11 329 743	-	-
DBSA (13279)	15.00%	31-Mar-19	1 143 494	-	66 652	1 076 842	-	-
DBSA (13356)	16.50%	30-Sep-19	779 993	-	38 296	741 697	-	-
DBSA (101751)	10.81%	31-Mar-15	1 380 344	-	221 314	1 159 030	-	-
DBSA (102202)	9.08%	30-Sep-16	1 466 876	-	(174 497)	1 641 373	-	-
			16 205 018	**-**	**256 333**	**15 948 685**	**-**	**-**
Total external loans								
Annuity loans			16 205 018	-	256 333	15 948 685	-	-
			16 205 018	**-**	**256 333**	**15 948 685**	**-**	**-**

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Community Assets														

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other assets														
Total property plant and equipment														
Intangible assets														
Computers software	43 690	-	-	-	-	-	**43 690**	(11 792)	-	-	(8 738)	-	**(20 530)**	23 160
	43 690	**-**	**-**	**-**	**-**	**-**	**43 690**	**(11 792)**	**-**	**-**	**(8 738)**	**-**	**(20 530)**	**23 160**
Investment properties														
Investment property	119 035 000	-	-	-	-	-	**119 035 000**	-	-	-	-	-	**-**	119 035 000
	119 035 000	**-**	**-**	**-**	**-**	**-**	**119 035 000**	**-**	**-**	**-**	**-**	**-**	**-**	**119 035 000**
Total														
Intangible assets	43 690	-	-	-	-	-	**43 690**	(11 792)	-	-	(8 738)	-	**(20 530)**	23 160
Investment properties	119 035 000	-	-	-	-	-	**119 035 000**	-	-	-	-	-	**-**	119 035 000
	119 078 690	**-**	**-**	**-**	**-**	**-**	**119 078 690**	**(379 066 242)**	**-**	**-**	**(22 145 517)**	**3 891 022**	**(397 320 737)**	**(278 242 047)**

Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
			Municipal Owned Entities			
			Other charges			

Appendix E(1)
June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	15 121 271	16 611 066	(1 489 795)	(9.0)	
Service charges	68 730 719	82 357 747	(13 627 028)	(16.5)	
Rental of facilities and equipment	503 442	661 542	(158 100)	(23.9)	
Interest received (trading)	2 516 410	3 075 259	(558 849)	(18.2)	
Fines	101 387	199 483	(98 096)	(49.2)	
Licences and permits	2 144 612	965 690	1 178 922	122.1	
Government grants & subsidies	52 307 331	72 757 693	(20 450 362)	(28.1)	
Other income	2 814 378	5 729 454	(2 915 076)	(50.9)	
Interest received - investment	659 324	624 239	35 085	5.6	
	144 898 874	182 982 173	(38 083 299)	(20.8)	
Expenses					
Personnel	(43 942 271)	(48 459 909)	4 517 638	(9.3)	
Remuneration of councillors	(3 648 443)	(3 788 089)	139 646	(3.7)	
Depreciation	(29 690 672)	-	(29 690 672)	-	
Amortisation	(100 245)	-	(100 245)	-	
Impairments	-	-	-	-	
Finance costs	(852 322)	(393 474)	(458 848)	116.6	
Debt impairment	(7 286 616)	-	(7 286 616)	-	
Repairs and maintenance - General	(3 405 209)	(114 266)	(3 290 943)	880.1	
Bulk purchases	(28 065 406)	(39 780 391)	11 714 985	(29.4)	
Grants and subsidies paid	(14 285)	-	(14 285)	-	
General Expenses	(34 441 355)	(66 857 827)	32 416 472	(48.5)	
	(151 446 824)	(159 393 956)	7 947 132	(5.0)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(858 507)	-	(858 507)	-	
	(858 507)	-	(858 507)	-	
Net surplus/ (deficit) for the year	(7 406 457)	23 588 217	(30 994 674)	(131.4)	

Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	69 640	**-**	**(69 640)**	**-**	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
DME		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
DME		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.